

Public Service Commission of Wisconsin
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Wisconsin Gas Co. LLC

Corporates Ratings Navigator
US Utilities

Corporates Ratings Navigator			
Publish Date:		26-Feb-15	
Sector Details:			
Sector:	US Utilities		
Region:	Developed Markets - Americas		
Country:	United States of America		
Country IDR:	AAA	Stable	
Country IDR Action:	Affirmed		
Country Action Date:	19-Sep-14		
Country Ceiling:	AAA		
Ratings History			
Date	IDR		Action
1-Oct-14	A-	Stable	Affirmed
12-Aug-14	A-	Stable	Affirmed
7-Apr-14	A-	Stable	Affirmed
14-Jun-13	A-	Stable	Downgrade
20-Jun-12	A	Stable	Affirmed
23-Jun-11	A	Stable	Affirmed
21-Jun-10	A	Stable	Revision Outlook


Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	
Bar Colors =Relative Importance	
<div></div>	Higher Importance
<div></div>	Average Importance
<div></div>	Lower Importance
Bar Arrows = Rating Factor Outlook	
<div></div>	Positive
<div></div>	Negative
<div></div>	Evolving
<div></div>	Stable
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Relevant Criteria & References	
Introducing Ratings Navigators for Corporates	
Corporate Rating Methodology	
US Utilities: Ratings Navigator Companion	

Factor Levels	Sector Risk Profile	Operating Environment	Business Profile					Financial Profile			Issuer Default Rating
			Management and Corporate Governance	Regulation	Market and Franchise	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc											CCC
cc											CC
c											C
d or rd											D or RD


Direct Peer Group				
Company Name	IDR	Action	Action Date	
DTE Gas Co.	BBB+ Stable	Affirmed	23-Jan-2015	
Southwest Gas Corporation	A- Stable	Affirmed	01-Oct-2014	
NSTAR Gas Company	A- Stable	Affirmed	01-Oct-2014	

Drivers & Sensitivities	
2014 Rate Order	WI Gas' final rate order was in line with Fitch's expectations and provides earnings and cash flow visibility through 2016, at levels consistent with the utility's existing financial profile.
Pending Acquisition of Integrys	WEC's pending acquisition of Integrys bears no impact on WI Gas' ratings, in Fitch's view. Regulatory ring-fencing measures, including dividend restrictions, protect WI Gas from potential parent financial contagion.
Elevated Capex	WI Gas plans on spending approximately \$750 million over 2014–2017, compared with \$430 million over the prior four years — a 76% increase. The construction of an 85-mile gas lateral in the Western part of Wisconsin is a key capex driver.
Modestly Declining Credit Metrics	Fitch forecasts adjusted debt/EBITDAR to range between 3.4x and 3.6x over 2015–2018, while FFO leverage is expected to hover in the low 4x range. 2015 represents the weakest year during the incremental spend for the gas lateral project.
Positive Rating Sensitivities	Given current rating levels and a sustained elevated capex plan over the forecast period, positive rating actions are unlikely in the near term.
Negative Rating Sensitivities	A deterioration of the Wisconsin regulatory compact and djusted debt/EBITDAR over 4.0x on a sustained basis could lead to negative rating action.


Operating Environment

aa+		Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa		Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
		Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-				
ccc				


Regulation

a+		Degree of Transparency and Predictability	a	Track record of transparent and predictable regulation.
a		Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
a-		Trend in Authorized ROEs	a	Above-average authorized ROE.
bbb+		Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb		Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.


Asset Base and Operations

a-		Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+		Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb		Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb-		Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+				


Profitability

a-		Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+		Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb				
bbb-				
bb+				


Financial Flexibility

a		Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-		Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+		FFO Fixed Charge Cover	a	5.0x
bbb				
bbb-				


Management and Corporate Governance

aa-		Management Strategy	a	Coherent strategy and good track record in implementation.
a+		Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
a		Group Structure	aa	Transparent group structure.
a-		Financial Transparency	a	High quality and timely financial reporting.
bbb+				


Market and Franchise

a		Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-		Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+		Customer Mix	a	Favorable customer mix.
bbb		Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-		Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Commodity Exposure

a+		Ability to Pass Through Changes in Fuel	bbb	Limited exposure to changes in commodity costs.
a		Underlying Supply Mix	a	Extremely low cost and flexible supply.
a-		Hedging Strategy	a	Highly captive supply and customer base.
bbb+				
bbb				

Financial Structure

a-		Lease Adjusted FFO Gross Leverage	bbb	5.0x
bbb+		Total Adjusted Debt/Operating EBITDAR	bbb	3.75x
bbb				
bbb-				
bb+				

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.



The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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